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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER

8- 37486

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Thornton Farish Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

2511 Fairlane Drive

(No. and Street)

Montgomery

(City)

Alabama

(State)

36116

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Rose Mary Miller334-270-8555

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.

(Name - if individual, state last, first, middle name)

3815 Interstate Court

(Address)

Montgomery

(City)

Alabama

(State)

36109

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED**MAR 26 2002****THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

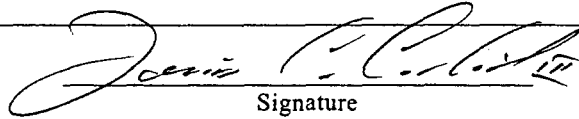
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (05-01)

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in this form are not required to respond unless the form displays
a currently valid OMB control number.

OATH OR AFFIRMATION

I, Louis C. Cardinal, III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Thornton Farish Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Vice President
Title

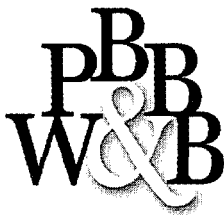

Notary Public Exp. 8-27-03

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- N/A ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- N/A ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- N/A ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Member
American Institute
Of Certified Public
Accountants



Member
Alabama Society
Of Certified Public
Accountants

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.
Certified Public Accountants
Montgomery, Alabama

Independent Auditors' Report

Board of Directors
Thornton Farish Inc.
Montgomery, Alabama

We have audited the accompanying statement of financial condition of Thornton Farish Inc., as of December 31, 2001, and the related statements of income, stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thornton Farish Inc., as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedules is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 1, 2002

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.

THORNTON FARISH INC.**STATEMENT OF FINANCIAL CONDITION**DECEMBER 31, 2001

ASSETS

Cash	\$ 43,069
Cash segregated under federal regulations	297
Interest receivable	2,729
Securities owned:	
Marketable, at market value	384,284
Not readily marketable, at estimated fair value	3,300
Property and equipment (at depreciated cost)	16,414
Noncustomer receivables	56,684
Deposits	<u>101</u>

TOTAL ASSETS **\$ 506,878**

LIABILITIES AND STOCKHOLDERS' EQUITY**LIABILITIES**

Accounts payable	\$ 11,928
Dividends payable	<u>70</u>

TOTAL LIABILITIES **11,998**

STOCKHOLDERS' EQUITY

Common stock - \$1 par value, 10,000 shares authorized and 1,000 shares issued and outstanding	1,000
Additional paid-in capital	492,961
Retained earnings	<u>919</u>

TOTAL STOCKHOLDERS' EQUITY **494,880**

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY **\$ 506,878**

See independent auditors' report and notes to financial statements.

THORNTON FARISH INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUE

Underwriting fees and profits	\$ 716,990
Unrealized loss on securities	(74,434)
Interest and dividends	22,009
Commissions	<u>8,560</u>
Total revenue	<u>673,125</u>

EXPENSES

Compensation and benefits	397,003
Communications	32,385
Interest	3,083
Occupancy costs	30,898
Promotional costs and issue expenses	33,504
Dues, fees and assessments	3,125
Other operating expenses	<u>27,208</u>
Total expenses	<u>527,206</u>

NET INCOME	<u><u>\$ 145,919</u></u>
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See independent auditors' report and notes to financial statements.

THORNTON FARISH INC.**STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
BALANCE AT JANUARY 1, 2001	\$ 1,000	\$ 432,961	\$ -	\$ 433,961
Net income	-	-	145,919	145,919
Capital contributions	-	60,000	-	60,000
Dividend distributions	-	-	(145,000)	(145,000)
BALANCE AT DECEMBER 31, 2001	<u>\$ 1,000</u>	<u>\$ 492,961</u>	<u>\$ 919</u>	<u>\$ 494,880</u>

See independent auditors' report and notes to financial statements.

THORNTON FARISH INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 145,919
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,318
Unrealized loss on securities	74,434
Decrease in operating assets:	
Receivables	24,598
Increase in operating liabilities:	
Accounts payable and accrued expenses	<u>3,799</u>
Net cash provided by operating activities	<u>250,068</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(14,075)
Money market fund purchases	(219,266)
Sale of securities	<u>94,473</u>
Net cash used by investing activities	<u>(138,868)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Capital contributions	60,000
Dividend distributions	<u>(145,000)</u>
Net cash used by financing activities	<u>(85,000)</u>

NET INCREASE IN CASH 26,200

CASH AT BEGINNING OF YEAR 16,869

CASH AT END OF YEAR \$ 43,069

SUPPLEMENTAL CASH FLOW DISCLOSURE

Cash paid during the year for:

Interest	<u>\$ 3,083</u>
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See independent auditors' report and notes to financial statements.

THORNTON FARISH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company is engaged in the business of brokering securities and underwriting securities issues throughout the United States. The Company operates primarily in the municipal securities markets.

Securities Transactions

Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis. Securities transactions of the Company are recorded on a trade date basis.

Marketable securities are valued at market value and securities not readily marketable are valued at fair value as determined by the principals of the Company.

Underwriting Revenue

Revenues from investment banking activities (primarily underwriting profits and fees) are recognized on the closing date of the issue.

Property and Equipment

Major additions to property and equipment are capitalized at cost. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property and equipment disposed of are removed from the related accounts and any gain or loss is reflected in income. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

Income Taxes

The Company has elected, with the consent of its stockholders, to be taxed as an S Corporation for federal and state income tax purposes. Accordingly, no provision for corporate income taxes is made.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$1,025 for the year ended December 31, 2001.

THORNTON FARISH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH SEGREGATED UNDER FEDERAL REGULATIONS

Cash of \$297 as of December 31, 2001, is segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

3. SECURITIES OWNED

Marketable securities owned at December 31, 2001, consisted of trading and investment securities at market values as follows:

Money market funds	\$ 249,284
State and municipal obligations	<u>135,000</u>
	<u>\$ 384,284</u>

Securities not readily marketable include: (a) securities for which there is no market on a securities exchange or no independent publicly quoted market; (b) securities which cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933; or (c) securities and investments which cannot be offered or sold because of other arrangements, restrictions or conditions applicable to the securities and investments or to the Company. As of December 31, 2001, these securities consisted of 300 warrants for the purchase of common stock of The Nasdaq Stock Market, Inc. Each warrant entitles the Company to purchase four shares of common stock. The warrants will be exercisable in four annual tranches, with one share of common stock available for purchase in each tranche. The exercise price per share of common stock subject to the warrants will be \$13 in tranche one, \$14 in tranche two, \$15 in tranche three and \$16 in tranche four. The warrants will not be exercisable until 2002, at which time the first tranche will become exercisable. Each tranche will be exercisable for a one-year period. Each subsequent tranche will become exercisable following expiration of the immediately preceding tranche.

4. PROPERTY AND EQUIPMENT

As of December 31, 2001, property and equipment consisted of the following:

Furniture and equipment at cost	\$ 46,966
Less accumulated depreciation	<u>(30,552)</u>
Property and equipment at depreciated cost	<u>\$ 16,414</u>

THORNTON FARISH INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

5. FINANCING ARRANGEMENT

As of December 31, 2001, the Company had a \$25,000,000 credit facility available at AmSouth Bank to handle presold bond issue closings. Each note bears interest at the bank's prime rate and is secured by the bonds creating each specific transaction and stockholder guarantees. As of December 31, 2001, there were no balances outstanding with respect to this credit facility.

As of December 31, 2001, the Company had a \$2,000,000 credit facility available at AmSouth Bank to purchase bonds for resale. Each note bears interest at the bank's prime rate and is secured by the bonds purchased and stockholder guarantees. Each note amount is determined using a loan to cost ratio of 90%. As of December 31, 2001, there were no balances outstanding with respect to this credit facility.

6. NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). The Company has net capital and net capital requirements of approximately \$403,945 and \$250,000 as of December 31, 2001. The Company's percentage of aggregate indebtedness to net capital was 3% as of December 31, 2001.

7. PROFIT-SHARING PLAN

The Company has a profit-sharing plan covering substantially all salaried employees. Contributions to the plan are authorized by management at its discretion. The plan has received a favorable tax determination under the Internal Revenue Code. Contributions to the plan totaled \$30,896 for the year ended December 31, 2001.

8. COMMITMENTS

The Company leases its office facility under the terms of a 36-month lease which expires May 31, 2002. Future minimum rental payments required under the lease total \$11,455. Rent expense for the year ended December 31, 2001, totaled \$27,500.

9. SUBORDINATED LIABILITIES

The Company had no liabilities subordinated to the claims of general creditors during the year ended December 31, 2001.

SUPPLEMENTARY INFORMATION

THORNTON FARISH INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

Total qualified ownership equity		\$ 494,880
Nonallowable assets	\$ 76,499	
Total deductions and/or charges		<u>76,499</u>
Net capital before haircuts on securities positions		418,381
Haircuts on securities (computed, where applicable, pursuant to Rule 15c3-1(f)):		
Trading and investment securities:		
State and municipal government obligations	9,450	
Other securities	<u>4,986</u>	
Total haircuts		<u>14,436</u>
Net capital		<u>\$ 403,945</u>

No material differences exist between the above computation of net capital and the Company's corresponding unaudited Focus Part II computation as of December 31, 2001.

See independent auditors' report.

THORNTON FARISH INC.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

Minimum net capital requirement	\$ <u>799</u>
Minimum dollar net capital requirement of reporting broker	\$ <u>250,000</u>
Greater of above amounts	\$ <u>250,000</u>
Excess net capital	\$ <u>153,945</u>
Excess net capital at 1,000%	\$ <u>402,745</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2001**

Total aggregate indebtedness liabilities	\$ <u>11,998</u>
Percentage of aggregate indebtedness to net capital	<u>3%</u>

See independent auditors' report.

THORNTON FARISH INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

Credit balances	\$ -
Debit balances	<u>-</u>
Excess of total debits over total credits	<u>\$ -</u>
105% of excess of total credits over total debits	<u>\$ -</u>
Amount held on deposit in "Reserve Bank Account" at December 31, 2001	<u>\$ 297</u>

No material differences exist between the above computation of reserve requirements and the Company's corresponding unaudited Focus Part II computation at December 31, 2001.

See independent auditors' report.

THORNTON FARISH INC.

INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

State the market valuation and the number of items of:

Customers' fully paid securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3

Number of items

NONE

Customers' fully paid securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3

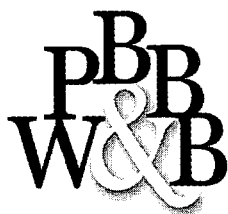
Number of items

NONE

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Member
American Institute
Of Certified Public
Accountants



Member
Alabama Society
Of Certified Public
Accountants

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.
Certified Public Accountants
Montgomery, Alabama

Independent Auditors' Report on Internal Control
Required by SEC Rule 17a-5

Board of Directors
Thornton Farish Inc.
Montgomery, Alabama

In planning and performing our audit of the financial statements of Thornton Farish Inc., for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Thornton Farish Inc., that we considered relevant to the objectives stated in Rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13. Because they did not have any customer transactions during the year ended December 31, 2001, we did not review the procedures followed by the company in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System or in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of Thornton Farish Inc., is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the information and use of management, the SEC, the New York Stock Exchange and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used for any other purpose.

February 1, 2002

Wilson, Price, Bananco, Blankenship & Billingsley, P.C.

THORNTON FARISH INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2001

**THORNTON FARISH INC.
FINANCIAL STATEMENTS PURSUANT TO SECTION 17
OF THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED BY THE SECURITIES ACTS AMENDMENTS
OF 1975 AND RULE 17a-5 THEREUNDER
AT DECEMBER 31, 2001**

THORNTON FARISH INC.

DECEMBER 31, 2001

TABLE OF CONTENTS

	<u>PAGE</u>
Facing Page and Oath or Affirmation	1
Independent Auditors' Report	3
Statement of Financial Condition	4
Statement of Income	5
Statement of Stockholders' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements.....	8
 SUPPLEMENTARY INFORMATION	
Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission.....	11
Computation of Basic Net Capital Requirements under Rule 15c3-1 of the Securities and Exchange Commission.....	12
Computation for Determination of Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission	13
Information Relating to the Possession or Control Requirements under Rule 15c3-3 of the Securities and Exchange Commission.....	14
Independent Auditors' Report on Internal Control Required by Sec Rule 17a-5	15
